

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4317-01
Bill No.: HB 1735
Subject: Banks and Financial Institutions; Cities, Towns, and Villages; Treasurer, State.
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$250,000	\$300,000	\$300,000
Total Estimated Net Effect on <u>All</u> State Funds	\$250,000	\$300,000	\$300,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Conservation, Department of Natural Resources, Department of Revenue, Little Blue Valley Sewer District, Department of Highways and Transportation, City of Springfield, Platte County Commission, Greene County Commission, Barton County Memorial Hospital, and Department of Elementary and Secondary Education** assume the proposed legislation would not fiscally impact their organizations.

Officials from the **Blue Springs School District (Blue Springs)** stated the proposed legislation would provide an opportunity to increase investment alternatives to possibly increase investment returns on district dollars but did not state what impact the proposal might have on Blue Springs.

Officials from the **Kansas City School District (District)** stated the district supports the establishment of a Local Government Investment Pool, but did not state what impact the proposal might have on the District.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated the proposed legislation should not result in additional costs or savings to the BAP. The proposed legislation would increase total state revenue.

Officials from the **Office of the Secretary of State (SOS)** state this bill creates the Local Government Investment Pool. The State Treasurer will promulgate rules to implement this bill. Based on experience with other divisions, the rules, regulations and forms issued by the State Treasurer could require as many as 8 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$492 [(8 pp x \$27) + (12 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

Officials from the **City of St. Charles (St. Charles)** stated St. Charles has a portfolio balance

sufficient to purchase typical blocks of instruments having more favorable interest rates. It is also perceived that there may be additional administrative efforts necessary to participate in a “pool” program. It is, therefore, the position of St. Charles to retain the administration of its own investment portfolio and not participate in the proposed voluntary program. The creation of such a voluntary local government investment pool would have no financial impact to the City of St. Charles.

Officials from the **Office of State Treasurer (STO)** stated for the “Money Market Mutual Funds” portion of this proposal STO staff estimate a positive revenue impact of at least \$300,000 annually for state revenues. The revenue impact of the Local Government Investment Pool is unknown. The number of municipalities and political subdivisions that would participate and the amount they would invest is unknown. However, STO staff assume that the revenue impact would be a positive unknown for local governments.

Officials from the **Kansas City Manager’s Office, St. Louis City Manager, St. Louis County Manager, Jackson County Executive, Clay County Commission, St. Charles County Executive, City Managers of: Columbia and Independence, Metro St. Louis Sewer District, Fire Protection Districts of: LeMay, Chesterfield, Mehlville, Raytown, St. Charles, Metro West, West. County EMS and Fire, Maryland Heights, Creve Coeur, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital, Columbia Public Schools, Fort Zumwalt School District, Independence School District, Jefferson City Public Schools, Lee’s Summit R-7 School District, Kirksville R-III School District, Springfield Public Schools, St. Louis Public Schools, and Cape Girardeau School District** did not respond to our request for a statement of fiscal impact.

The proposed legislation will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Income - Office of State Treasurer</u>			
Investment Income	<u>\$250,000</u>	<u>\$300,000</u>	<u>\$300,000</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Total <u>Income</u> - Office of State Treasurer	<u>\$250,000</u>	<u>\$300,000</u>	<u>\$300,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$250,000	\$300,000	\$300,000
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
LOCAL GOVERNMENTS			
<u>Income - Local Governments</u>			
Investment Income from Local Government Investment Pool	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes the State Treasurer to establish a Local Government Investment Pool. This investment pool would consist of the aggregate of all funds from local officials which are in the custody of the treasurer. The bill authorizes local officials to invest in the investment pool. The treasurer is allowed to administer and invest all funds in the investment pool. Administration expense for the investment pool will be paid for with interest earnings. Earnings in excess of administration expense are to be credited back to the investment pool. Separate account records must be kept for each participant in the investment pool, and all funds are subject to payment back to the participant at any time. The treasurer is authorized to appoint an advisory board to assist in the administration of the investment pool. At least 75% of the board must be participants in the investment pool.

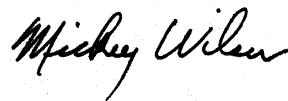
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
 City of Springfield
 Department of Highways and Transportation
 Missouri Department of Conservation

Office of Administration - Division of Budget and Planning
Platte County Commission
Blue Springs School District
Barton County Memorial Hospital
Greene County Commission
Office of the Secretary of State
City of St. Charles
Kansas City School District
Little Blue Valley Sewer District
Department of Revenue
Office of State Treasurer
Department of Natural Resources

NOT RESPONDING: Kansas City Manager's Office, St. Louis City Manager, St. Louis County Manager, Jackson County Executive, Clay County Commission, St. Charles County Executive, City Managers of: Columbia and Independence, Metro St. Louis Sewer District, Fire Protection Districts of: LeMay, Chesterfield, Mehlville, Raytown, St. Charles, Metro West, West. County EMS and Fire, Maryland Heights, Creve Coeur, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital, Columbia Public Schools, Fort Zumwalt School District, Independence School District, Jefferson City Public Schools, Lee's Summit R-7 School District, Kirksville R-III School District, Springfield Public Schools, St. Louis Public Schools, and Cape Girardeau School District.



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Acting Director
February 25, 2002